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SUBJECT: GEORGIA GETS IMPROVED RANKINGS ON BUSINESS
CLIMATE AND CORRUPTION

11. Summary: The annual report of the International Financial Corporation (World Bank Group) has moved Georgia up from thirty-seventh to eighteenth place out of 178 surveyed countries in terms of ease of doing business. Georgia is the fifth top reformer country on the list. An annual report by Transparency International also shows a substantial improvement for Georgia on the corruption Perception Index. End Summary.

Georgia Enters the Top 20

12. On September 26, the International Financial Corporation released its annual Doing Business report, which provides objective measures of business regulations and their enforcement across 178 countries and is a guide for evaluating regulations that directly impact economic growth. In terms of economic reforms over the past year that promote the business environment, Georgia is ranked fifth after Egypt, Croatia, Ghana, and FYR Macedonia. This is Georgia's third straight year in the top five in this category: last year Georgia ranked as the top reformer, and was number two in 2005.

13. Georgia moved up significantly in the overall ranking of countries for ease of doing business, leaping from thirty seventh to eighteenth place. Estonia, ranked seventeenth, is the only former Soviet country ahead of Georgia. For comparison, Latvia is number 22, Lithuania - 26, Armenia - 39, Azerbaijan - 156, Russia - 166.

Specific Achievements

14. The report says Georgia's improved ranking is due to reforms in six areas. Georgia strengthened investor protections, including through amendments to its securities law that eliminated loopholes that had allowed corporate insiders to expropriate minority investors. It adopted a new insolvency law that shortens timelines for reorganization of a distressed company or disposition of a debtor's assets. Georgia sped up approvals for construction permits and simplified procedures for registering property. It made starting a business easier by eliminating the paid-in capital requirement. In addition, the country's private credit bureau added payment information from retailers, utilities, and trade creditors to the data it collects and distributes.

15. The report credits Georgia for easing the entry of new firms. Georgia now has 15 registered businesses per 100

people (the same rate as Malaysia). It also emphasizes the three boldest reforms, driving the biggest improvements in the Doing Business indicators, including an increase in investor protection. As the report puts it, "Georgia made investing safer. Amendments to its securities law eliminated loopholes that allowed corporate insiders to expropriate minority investors. Reformers increased disclosure requirements for directors' conflicts of interest, detailed stricter duties to the firm for directors, and heightened penalties for self-dealing." Georgia also improved in regard to licensing practices.

Georgia Improves in Transparency International's CPI Index

¶6. On September 26, Transparency International, the global civil society organization leading the fight against corruption, published the results of the Corruption Perception Index (CPI) 2007. Georgia received 3.4 points (out of a total ten), ranking seventy-ninth among 180 countries. The CPI ranks countries in terms of the degree to which businesspeople and country analysts, resident and non-resident, perceive corruption to exist in the public and political sectors.

¶7. Georgia's score this year is a significant improvement over the score in 2006 (2.8). Since the Rose Revolution, Georgia's score has steadily risen, starting at 1.8 in ¶2003. This year's gain means that Georgia has moved out of the group of countries considered to have a rampant corruption problem (those under 3.0). In comparison with countries of the former Soviet Union, it ranks well ahead of Azerbaijan (2.1) and Armenia (3.0), and is in fourth place, behind Latvia (4.8), Lithuania (4.8) and Estonia (6.5) out of 15 countries listed in this category.

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Nevertheless, a score of 3.4 still indicates that corruption is a significant problem in the public sector.

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